

# **SUPPORTIVE HOUSING FOR PERSONS EXPERIENCING CHRONIC HOMELESSNESS WORKING GROUP**

## **Meeting 3: Gaps in Capital, Operating and Services Funding**

### **MEETING SUMMARY**

#### **1. Welcome, Introductions and Overview**

Assistant Commissioner Gomez, Commissioner Fabian and Commissioner Marx welcomed members and stakeholders. The first meetings set the context; these next meetings on funding require creativity. We need to construct this business plan with the assumption of no new forecasted revenue as we move forward.

#### **2. Capital Funding for Supportive Housing**

Commissioner Marx stated that an educated guess on capital costs would be 4,000 units of supportive housing at \$150,000 per unit that would mean \$600 million in capital costs. We don't have it and won't have it soon. MHFA is conducting sessions on how to increase efficiencies and reduce the costs of development in order to increase production. How do we bring some capital costs down?

Assistant Commissioner Bob Odman explained the cost of supportive housing has steadily increased over the last few years. Most has been large family housing, large units, and smaller developments with services. We need to find a way to bring these costs down. We do not have enough money to fund all the needs so we really need to focus on what we need, not necessarily what we want.

MHFA convened four meetings (two with staff, two with housing providers) to look at permanent supportive housing costs. We need to focus on: who are we serving, what is the size of chronically homeless families; where developments are located, what are the local community standards and building code requirements; what type of structure and how much service space is included; and how will it be funded. We also need to satisfy the requirements of all those coming to the table to provide money.

We came up with some recommendations: 1) establish a preference for existing rental housing, particularly housing with project based Section 8; 2) encourage adaptive reuse of existing structures (nursing homes, motels, hotels, etc.); 3) reduce size of units (more costs more) and amount of program space (use existing community program space in close proximity instead); 4) continue to review our own loan processing (time is money); 5) work with architects to develop standard plans to reduce design costs; 6) work with attorneys to get standardized documents. We need to consider the possibility of establishing cost limits. Continue the dialogue on an ongoing basis with

all the partners in trying to find a way to end chronic homelessness. If we do lots of little things successfully, we can find ways to reduce costs.

### **3. Operating Funding for Supportive Housing**

Assistant Commissioner Tonja Orr explained that even if we can get supportive housing built, there is still an operating deficit because the population we are serving does not have enough income to support it. We have to figure out a way to fill that deficit. Agency staff talked about what resources we have available that could be reallocated. Resources currently available are being well used. We will have to make some tough decisions about prioritizing this population over another already being served.

We have identified at least four sources of funding that could help with operating costs. None on their own could support the funding needed. Collectively, we could get a good portion funded.

The richest source is Section 8. It's federal money and it is the deepest subsidy (subsidizes the difference between what tenant can afford and actual costs of operating building to fair market rents). Currently, it's being well utilized. How do we incent housing authorities to project base their section 8 vouchers? We can look at things like the Challenge Fund and explore the possibility of giving them priority in accessing that money. We will look at other ways state agencies and others can provide incentive to housing authorities to use their Section 8 vouchers for supportive housing. Currently no housing authority has used the 20% maximum in project-based vouchers.

The Housing Trust Fund is a source. We also may have an opportunity to use federal HOME dollars for rental assistance. Currently, we don't do that. If we use some of the HOME dollars for rental assistance, we cannot continue to use it all for rental rehab. We also have some internal agency resources currently being used a lot for low and moderate-income rental housing. Will look at what extent we can reallocate resources for supportive housing. Some resources we've identified require some further exploration.

### **3. DHS Funding for People Living in Supportive Housing**

Janel Bush reviewed the Department of Human Services Funding Catalogs. DHS funding covers all 3 categories - capital, operating and services. Categories - income supplement, community living supports, office of economic opportunities program, mental health funding, medical assistance (state plan programs, waivers, biggest source of funding for supportive services), chemical health (many federal program that do not allow chemical dependent) HIV/AIDS (administered by counties). We will continue to look at these programs. It is important to get specific about what providers and counties need. Think about funding as an opportunity, but be realistic. So much of

funding is tied to the individual, not where they live. We will continue to discuss and dialogue as we go along.

## **5. Discussion on Housing and Service Gaps**

Working Group Members expressed their ideas on funding strategies including: capital bonding, collaboration, leveraging, development cost reduction, operating funds, rental and income subsidies, services, and other issues and comments, including the need for additional resources. (See Observations, Ideas, Insights, and Comments on Housing and Service Gaps, which also includes Stakeholder comments.)

## **6. Discussion of Follow Up on Funding Issues for Next Meeting**

Commissioner Marx thanked everyone for their time and insights. A sign up sheet for supportive housing tours is available. The November 18<sup>th</sup> meeting will focus on process and more funding decisions.